



Bakersfield, California 93301

January 24, 1978

Board of Supervisors
County of Kern
Kern County Civic Center
Bakersfield, California

"The Jarvis Amendment"

Gentlemen:

The "people's petition to control taxation" -- the so-called Jarvis Amendment (copy attached) -- has qualified for the June 1978 statewide ballot.

If approved by a majority of the voters, it will immediately amend the State Constitution to provide that, effective with the 1978-79 tax year, ad valorem taxes on real property cannot exceed one percent (1%) of the full cash value of such property. In effect, this means that the owner of a \$25,000 home, who paid about \$382 in property taxes this year at the current county-wide average rate of \$8.49 per \$100, could only be required to pay about \$180 next year.

There are several "gimmicks" in the Amendment, which might reduce or even eat up the apparent savings. (For instance, property currently assessed at less than its 1975 cash value -- and the Assessor tells me there's a good deal of it -- will be raised to its 1975 value. Also, the 1% limitation will not apply to taxes for payment of previously-approved bonds.) Further, while the Amendment would limit increases in value of continually-owned real property to no more than 2% per year, it would provide that valuations would be brought up to date when property changes hands or is newly built; so it presents a "disincentive" to buying real property -- and would legalize "unequalized" taxation, in that owners of identical property could be taxed in different amounts: for example, one would be taxed on the basis of the 1975 value of his property, while the other, a recent buyer, would be taxed on the basis of the valuation at time of purchase.

However, these "gimmicks" are insignificant to the average homeowner who sees the possibility of a large and immediate reduction in his property taxes. As indicated by the ease with which its proponents were able to get the necessary qualifying signatures, the Jarvis Amendment has great appeal to all property taxpayers, and has a very good chance of passage -- unless the State Legislature passes (doubly difficult in this "election year") some more-appealing property tax "relief" measure in time to head off the Jarvis Amendment at the ballot box.

The primary, and potentially devastating effect of the Jarvis Amendment would be to drastically cut back on the basic source of local governmental revenue without providing a replacement. Therein lies the challenge (or dilemma) for the Legislature!

To illustrate the potential effects of the Jarvis Amendment in Kern County, it may be noted in Exhibit A that the total 1977-78 property tax billings for all local taxing agencies -- cities, schools, and special districts, as well as County government itself -- totaled \$211 Million, of which about \$189 Million was based on the current valuation of real property. If the Jarvis Amendment had been in effect, the taxes on real property could not have exceeded about \$67 Million -- and the total property tax billings would have been lower by almost \$122 Million -- almost 58% less than the current total.

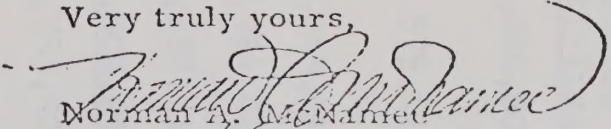
At this point it is appropriate to note another Jarvis "gimmick" -- which is that it would be the County's responsibility to collect the 1% tax on real property, and then to apportion it "according to law" (which doesn't exist) to the taxing agencies within the county. Since there are over 250 such "agencies" within the County, including some 53 county service areas, it defies our imagination to conceive how the job would be done -- or how many of these agencies would be able to continue to provide the services for which they were formed.

With immediate regard to the potential effects of the Jarvis Amendment on our own County Budget, it should be noted that property taxes are not the only source of revenue. In the current year they represent only about 31% of our total resources -- but they typically provide the "front money" which qualifies us for Federal and State subventions, or enables us to "earn" fees for services provided. (For instance, we have to put up a dollar of local money for every nine dollars of State money we receive through the Short/Doyle mental health programs.) Without our current levels of property tax receipts -- or substantial "relief" from the State in terms of replacement income or assumption of County-provided services -- your Board and County management will have some very difficult choices to make as to which services can be reduced or eliminated.

Exhibit B shows our estimates of the direct effect on the Jarvis Amendment on funding the County Budget -- a potential overall reduction of about 18-1/2%. If available general revenues and property taxes were prorated evenly among our major service areas, necessary cuts would range from 32% for Public Protection and Education (principally the Library), through 27% for parks and recreation, and 12% for Public Assistance and General Government, to less than 1% for Public Transportation.

We have not yet begun to plan for this contingency -- but will closely monitor the "progress" of the Jarvis Amendment and of the Legislature during the next few months -- and will submit further reports and recommendations as the situation develops.

Very truly yours,


Norman A. McNamee
County Administrative Officer

NAM/SSH/ves
attachments - 3
cc: Each Supervisor

POTENTIAL EFFECT OF JARVIS AMENDMENT ON COUNTY-WIDE PROPERTY TAX BILLINGS

<u>Taxing Agencies</u>	<u>Total 1977-78 Property Tax Billings*</u>	<u>Billings On Real Property** In 1977-78 Billings</u>	<u>Maximum Per Jarvis Amendment</u>	<u>Estimated Potential REDUCTION In Billings</u>
County Budget	\$ 77,488,601	\$ 69,235,020	\$ 24,606,220	\$ 44,628,800
Special Districts Governed By Board of Supervisors	1,006,722	899,490	319,680	579,810
Special Districts Governed By Local Boards	17,424,236	15,568,320	5,533,002	10,035,318
School Districts	100,643,484	89,923,590	31,958,965	57,964,625
Special Education Programs	5,447,453	4,867,230	1,729,815	3,137,415
Cities	<u>9,392,399</u>	<u>8,391,980</u>	<u>2,982,525</u>	<u>5,409,455</u>
Totals - - - - -	\$ 211,402,895	\$ 188,885,630	\$ 67,130,207	\$ 121,755,423
Percentage of 1977-78 Billings	100.0 %	89.3 %	31.8 %	<u>57.6 %</u>

* "Total 1977-78 Property Tax Billings" per Kern County Auditor-Controller's 1977-78 Summary of Budget & Tax Data.

** Total "Billings On Real Property" are prorated to taxing agencies per total 1977-78 property tax billings. Actual amounts will vary dependent on actual value of real property within each taxing agency.

KCAO 1/24/78

POTENTIAL EFFECT OF JARVIS AMENDMENT ON FUNDING KERN COUNTY BUDGET

Functions	1977-78 County Budget		Effect of Jarvis Amendment		
	Total Expenditure Appropri- ations	Net Property Tax Required*	Total Property Tax Allowed	Funding Amount**	DEFICIENCY % of Total Appn.
General Government	\$ 52,920,929	\$ 10,152,445	\$ 4,067,222	\$ 6,085,223	11.5%
Public Protection	50,646,335	27,714,264	11,102,732	16,611,532	32.8%
Public Transportation	14,087,742	163,366	65,447	97,919	0.7%
Health & Sanitation	34,575,546	5,363,852	2,148,844	3,215,008	9.3%
Public Assistance	66,260,060	14,344,587	5,746,642	8,597,945	13.0%
Education***	2,865,132	1,527,323	611,867	915,456	32.0%
Cultural & Recreation	5,405,832	2,468,771	989,024	1,479,747	27.4%
Interest & Debt Service	430,000	-0-	-0-	-0-	
Appn. for Contingencies	1,756,000	836,155	334,975	501,180	28.5%
Total Expenditures - - -	\$ 228,947,576	\$ 62,570,763	\$ 25,066,753	\$ 37,504,010	16.4%
Prov. for Reserves	12,811,542	11,886,814	4,762,024	7,124,790	55.6%
Total County Budget - -	\$ 241,759,118	\$ 74,457,577	\$ 29,828,777	\$ 44,628,800	18.5%
Percent of Total Budget	100.0 %	30.8 %	12.3 %	18.5 %	

* "Net Property Tax Required" reflects net funding requirement after deduction of (1) specific program revenues, (2) specifically allocated funds, and (3) prorated general revenues and fund balances.

** "Funding Deficiency" for each function was prorated from total per "Net Property Tax Required".

*** "Education" in the County Budget comprises the Library, Farm & Home Advisor, and Experimental Farm. Schools are not included in the County Budget.

KCAO 1/24/78

79 00357

(2)

The Jarvis Initiative results from skyrocketing property values, the impact of inflation on local government budgets, the proliferation of mandated programs by higher levels of government, and increasing demands by various segments of the citizenry for more and more services. Such a manifestation of taxpayer revolt was predictable, and comes at a time when legislative inaction provided the necessary spark. While the bulk of the benefit to directly accrue from Jarvis does not go to the homeowner (and totally ignores the renter), there is sufficient popular appeal to generate a sizable affirmative vote.

I cannot fault the desire of people to see a reduction in property taxes -- and some of the horror stories contained in the newspapers certainly generate a profound sympathy. However, as a county administrator, I feel compelled to speak up on the mechanics of implementing Jarvis -- simplistic, vague and reflective of a total lack of understanding of the highly-complex nature of the laws that govern counties, cities and special districts, and that determine the financial operations of those entities.

The Jarvis Initiative poses a confusing anomaly when it states in its Section 5 that it shall take effect for the tax year beginning on July 1 following passage. That definition of tax year is fiscal year 1978-79.

However, the lien date for property assessment is 12:01 a.m. on the first day of March "preceding the fiscal year for which the taxes are levied" (Revenue & Taxation Code, Section 2192). So, Assessors throughout the State have a legal requirement to fix the value of all real property, as of March 1, for fiscal year 1978-79, yet the Initiative states that, if passed, the value of property for tax purposes shall be that of 1975-76, and that all property not already assessed up to 1975-76 may be reassessed to reflect that value.

The least that can be said is that Assessors are in limbo. The Initiative will not be judged by the voters until June 6, but the County Assessor must by



law place a value on property reflective of its March 1, 1978 value. These are complex calculations, and consume approximately four months of intensive work by his appraisal staff. Yet, if Jarvis passes, as of July 1 the values are not valid and must be rolled back to 1975-76. (Unclear by the wording of the Initiative is the question of whether the allowable 2% increase each year can be added to cover the intervening period from 1975-76 to 1978-79, or whether the 1975-76 value is the 1978-79 value, and the 2% can first be applied to 1979-80.)

How is the Assessor to approach this? Does he create a crash program, running two tax rolls, one for 1978-79 and one for 1975-76 modified to fix all values at that year's level, just on the chance that Jarvis will be affirmed by the voter? There presently is no legal authority for him to do so -- if Jarvis passes, his efforts put forth under current law will have been wasted, and if Jarvis fails, he will have expended time and money preparing a 1975-76 tax roll to no purpose.

Aside from the Assessor's problems, how do local governments prepare for a budget year in the face of possible passage of the Initiative?

No guidelines are carried in Jarvis, or in legislation, that provides a method whereby the total 1% levy shall be distributed, so no tax supported jurisdiction has any way of knowing what its "share" or proportion of the total is to be.

Districts, cities and the county are comprised of varying numbers of tax code areas, the majority of which because of their individual makeup have a different total area code tax rate. In the absence of the "guidelines" mentioned above, the County Auditor faces an impossible task in making apportionments under Jarvis, which merely speaks to a maximum total levy county-wide.

Neither he nor the county board of supervisors has the authority to dictate to an independent district (school, public utility, etc.) what its budget shall be or what its tax levy shall be. Some jurisdictions have the legal authority to set

their own tax rate (Supervisor action "fixing" the rate is merely ministerial), some levy assessments on land only, all are affected by tax rate limits previously set by the "old" SB 90 and have legal authority to attain that maximum allowable tax rate -- and even on a 1975 valuation, the multiplication of these will exceed any 1% limit on FMV.

On June 6, the tax-supported jurisdictions will have progressed far in developing 1978-79 operating budgets, and in fact, some may well have finalized those budgets for commencing operations as of July 1 (only 3 weeks after a Jarvis decision). A shifting of gears on June 7 for literally every taxing jurisdiction in each county would be chaotic even if Jarvis pinned each one to a specific proportion of the total allowable "take" -- but for each of several hundred agencies to revise its budget to match an unknown "share" of a grand total levy county wide is preposterous! Not only is money involved, but many statutes must be considered which affect any decisions (by whom?) as to priority of one service over another. An extremely simple type of district such as street lighting creates its own set of problems. The more complex the district, the more problems are created. The more types of districts in the mix, the more horrendous the task of sorting out which should be allowed to continue to function, at what level, with what priority over another, etc., etc.

As to street lighting, the typical lighting district (or county service area) pays its power bill with an income derived solely from the property tax. The power bill is its only expense, and is based on number and type of light. If tax apportionments are reduced because of Jarvis, the obvious solution is to just cut out some lights -- and collect the wrath of the affected citizens who would be quick to point out that they voted to have a district and they voted to impose a maximum allowable tax rate to light their district. By what authority could the Board of Supervisors overrule their vote and refuse them funds allowable under the law governing their district? If the Board is forced to take such authority as a result of Jarvis, has it not then assumed authority to

— refuse to provide any funds, and instead place the funds in priority on some other type of district -- thus by its action abolishing the lighting district?

Not that lighting districts cannot be abolished -- present law provides a method to do so, but that method does not include unilateral Supervisor refusal to levy the legal tax. To take such a position might well lead to a charge of non-feasance.

Insofar as the county's own complex budget is concerned, similar types of problems arise. Assuming a recognition that Jarvis may pass, it seems prudent to develop an alternative fall-back budget, but -- based on what financial base? While property taxes are a large segment of the financing, they are the final step in balancing a budget. All other available funding is first taken into account, but much of that funding is based on particular levels of service, and should Jarvis pass, levels may have to be lowered. But to what level? Those are decisions to be made in public budget hearings, and cannot be arbitrarily assumed by appointed staff. Only the governing board, in public sessions, can take decisive action to reduce or eliminate services, reduce or eliminate departments and divisions thereof, etc. While administrators may propose drastic measures, those proposals are somewhat restricted by state and federal mandates on one side, and popular services such as libraries and parks on the other. Under Jarvis, we will see another manifestation of the public psyche -- for many years, the perennial cry to the Board of Supervisors has been "cut the budget", "hold the line", "reduce spending", etc., etc. -- but that same public has never come to any agreement as to what service it is willing to give up. Segments of that public create myriad smaller publics, each with its pet ideas about what it wants (Federal) (State) (local) government to provide, and the meld of those pet ideas has progressed to the complex service mechanism that fostered the Jarvis Initiative. Now the public, having been "hoist on its own petard", blames government for its tax woes and would solve the problem by taking away the fuel that runs the machinery. Those many "publics" that make up "the public" will, I predict, never never

agree as to what service are to be cut, and will crucify any elected official who dares to de-prioritize someone's pet service. A governing board has freedom to make painful decisions in only a limited range of county activities -- mandated programs will retain priority positions, and may only be curtailed within certain limits. The general public will not understand why its elected Supervisors cannot "wipe out Welfare!", "send those prisoners to the State and let them take care of 'em!", or "To hell with putting all that money in Medi-Cal - I don't have anybody paying my doctor bills!" -- or why, instead, the Supervisors may appear to make drastic if-not fatal budget decisions in parks, libraries, roads, museums, etc., etc.

Prepare alternate budgets? Which of several ways should occupy the staff effort? Do we deal with just Jarvis? Or will the State also in a knee-jerk reaction to Jarvis, create a whole new set of factors incident to the game-plan, such as new taxes, increased subsidies, take-over of certain programs, etc., etc.? The only thing counties (cities) (districts) know for certain at this time is that we must begin to prepare budgets -- and no one has any idea which rules will be applied, or when.

In the absence of timely decisions, we may be forced to develop a Proposed Budget along traditional lines for presentation about June 1. The outcome of the election June 6 will provide the setting for Kern County's Final Budget hearings starting July 26. If Jarvis should be approved by the voters, that 7-week period, and the two weeks of hearings, may be chaotic as staff attempts to adjust recommendations to fit modified valuations, revenue estimates, program changes flowing from State administrative and legislative reactions, probable judicial interpretations of Jarvis' vague wording, as well as policy guidelines emanating from our own Board of Supervisors. Although the budget hearing may officially close at the end of the 10 day period, final decision on the budget may not be possible until late in August.

"Someone" must make some decisions, and soon about what are "essential" services, and what priority will be installed in the ranking of those "essential" services. Then I assume there should be a category of "desirable" services, with a priority ranking created. Then comes "optional" to pick up the balance. At some point, a frame of priority needs to be recognized between the three categories. For example, does the lowest priority in the essential group get preference over the highest priority in the desirable group? When I use the term "someone", I see it applying not solely to the county officials -- the state has become such an overwhelming member of the so-called state-county partnership that a large measure of those categorization, prioritizing and ranking decisions must be made by the state.

Unrecognized by the Jarvis Initiative is the hard fact that the bulk of county budgets are state-generated, either because counties are in fact subdivisions of the state or because the state has mandated counties to carry out state programs. Yet the impact of Jarvis is on the property tax, a local tax, which is high in large measure because of the state's utilization of county budgets to carry out state programs. Increased valuation of property has not created a climate whereby tax rates might be lowered and yet provide for a levy that is responsive to that something called cost-of-living -- instead, the levy also had to absorb new costs for a myriad of state-imposed programs, some funded, some partially-funded, some not providing any state support -- and the end result has too often been a situation where the property value has doubled and redoubled, the tax rate has pushed to the legal maximum, and the total levy has, for many, amounted to confiscation. Lawmakers, sensitive to proponents of social reform, have lost sight of the fact that the vast majority of reform recipients pay little toward the cost of sustaining "people programs".

In a sense, Kern is more fortunate than many counties in California, in that we have historically been operating a number of optional types of services,

and could because of our economic base afford to do so without undue hardship on our homeowner taxpayers. While we thereby have a flexibility for reductions others may not have, such reductions will create much adverse reaction from large segments of our citizenry. However, the impact of Jarvis may be felt here to an extent not common among counties. The property-owner "relief" envisioned by Jarvis will be welcomed by the home-owner, no doubt -- but the multi-million dollar reduction in taxes on minerals and agriculture will have a massive impact on the county's operating budget. I speculate that the home owner, in enjoying the several hundred dollars he won't have to pay in property taxes, will find his enjoyment shortlived. Significant reduction of his property taxes will reduce legal deductions claimed on his Federal and State income tax report. He may well find his recreational activities no longer available, or will pay for that once-free activity (or pay more for it), or that cultural services he once enjoyed are no longer available to him, or that his children must now attend school in a financially-strapped district, that the street lights turn off at midnight, the nearby weekly clinic no longer operates, etc., etc., etc. -- or, that everything seems to be going on as it always has, except that the take-home pay suddenly took a drop and the sales tax has increased on everything he wants to buy -- and every time he asks his local officials about quality of service, he's told the State now calls all the shots. If he should be a renter, he may see an increase in taxes he must pay, yet never see the property tax "benefits" of Jarvis passed down to him in terms of reduced rental payments.

Summary of Financial dilemma facing counties (and some cities).

1. Adjusted tax base - unknown.
2. Method of property tax distribution - unknown.
 - a. Vagueness of wording raises question as to whether a county or city gets any property tax levy.
 - b. Distribution "according to law" provides no guide -- there presently is no "law" to address this.
3. Mechanics of tax rate computation - unknown.
4. Extent of reduction in Federal Revenue Sharing - unknown.
5. Extent of reduction in Public Works Employment Act, Title I (construction) - unknown.
6. Extent of reduction in Public Works Employment Act, Title II (Anti-recession/Counter-cyclical) - Unknown.
7. Many "other revenues" of the County are related to a service level, and dependent upon which services may have to be curtailed, and to what extent, those revenue levels will be undetermined until the particular levels of service are agreed upon by the State and/or the Board.
8. Scope and format of State legislative reaction to Jarvis (pre-election or post-election) - unknown.

79 00357

(3)



Bakersfield, California-93301

February 28, 1978

Board of Supervisors
County of Kern
Kern County Civic Center
Bakersfield, California

Estimated Effects of Jarvis/Gann Initiative

Gentlemen:

By attached letter of January 27, 1978, the chairmen of the State Legislature's principal finance committees have requested a summary analysis of the local impact of the Jarvis/Gann Initiative (Proposition 13), if it passes on June 6, 1978.

I am sure that those legislative committees are now as aware as we are of the various points of view and problems regarding the so-called Jarvis Amendment; and so I suggest that our response be limited to our estimates of the financial implications, as follows:

1. The maximum total property tax billings for all local governmental agencies (county, cities, schools, and special districts) in Kern County will be reduced by approximately 57-1/2 percent. Further, we estimate that the same reduction would apply to refunds which local agencies receive from the State to replace homeowners' property tax exemptions, so that the overall impact is estimated as follows:

	Property Tax Billings	HO Exemption Refunds
Fiscal Year 1977-78	\$ 211,402,895	\$ 9,139,114
Estimated Jarvis Limit	89,647,472	3,984,713
Reductions - - - - -	\$ 121,755,423	\$ 5,154,401

2. No local governmental agency will know its share of the limited property tax billings until the Legislature provides the law or formula for apportionment. The impact of such uncertainty on budget planning for 1978-79, as well as of the estimated 57-1/2 percent reduction in overall total, may be appreciated when noting that property taxes (with related homeowners' and business inventory exemption refunds) represent the following percentages of the total annual budgets of local governmental agencies:

	Percentage of Total Budget
County of Kern	31.4%
Cities in Kern County	22.3%
School Districts & Special Educational Programs	49.4%
Special Districts	51.1%

3. While the impact of uncertain, reduced property taxes will affect about 31.4 percent of the total County budget, potential reductions in major services provided by the budget can range from as low as 13.2 percent for Airports, through 74-1/2 percent for Parks & Recreation, and 79.8 percent for Public Protection, to as high as 95.4 percent for Libraries. The aforesaid percentages can be varied to some extent by the manner in which the Board of Supervisors elects to allocate the County's general revenues (such as from Sales & Use and Motor Vehicle In-Lieu taxes, and allocations of Federal Revenue Sharing and Antirecession funds) which fulfill about 16.6 percent of total budget requirements.

In summary, the Jarvis/Gann Initiative provides California voters with an immediate opportunity to state their will regarding property taxes, and, as such, strikes a sympathetic chord with almost everyone. Regrettably, its apparently-simple provisions will, if passed, create fiscal havoc for local government agencies in California until its effects on existing budgetary and taxing procedures have been determined by the Legislature -- or, perhaps, by the courts.

I have scheduled a meeting next week with the elected officials (Assessor, Auditor-Controller, and Treasurer-Tax Collector) and other county department heads who are responsible for the assessment, calculation, billing, collection, and allocation of local property taxes. My purpose is to identify the foreseeable "technical" problems regarding implementation of the Jarvis Amendment, and to determine the extent to which we can solve them locally. I will advise you of the conclusions reached at that meeting.

In the meantime, I suggest that your Board authorize me to transmit the aforesaid financial estimates to the Assembly and Senate committees which requested it; and, at the same time, urge their efforts to anticipate and resolve the numerous "technical" uncertainties regarding possible implementation of the Jarvis Amendment.

Very truly yours,

Norman A. McNamee
County Administrative Officer

NAM/SSH/ves
attachment

cc: Each Supervisor
Assessor
Auditor-Controller
Treasurer-Tax Collector
Data Processing

Jarvis Initiative

- Section 1 (a) apportioned according to law No such "law" presently exists. There are many laws that come into play in apportionment of taxes, and the Initiative would by its application make a number of them inoperable.
- Section 2 (b) It appears the FMV can only increase by not more than 2%, but reduction shall be "as shown in the CPI" (which one?) or "comparable data for the areas under taxing jurisdiction." What is acceptable as "comparable data"? What is meant by "areas under taxing jurisdiction"? Does that mean each district, or the County, or what?
- Section 3 Takes a 2/3 vote of both Houses to impose any new or changed taxes (which increase revenues), except cannot levy new ad valorem taxes or real property, or sales or transaction taxes on sales of real property. Not even an increase in the transfer tax?
- Section 4 At local level, special taxes can be levied by any county, city or district by 2/3 vote "of the qualified electors" except ad valorem on real property or sales or transaction tax on real property.
- Section 5 Would be operable for 1978-79, but lien date for that taxing year is March 1, 1978. How can lien date be rolled back to 1975 before the amendment is even passed? If valuations are to be rolled back to 1975-76, is it possible that demands for refunds may be filed?

PLEASE REPLY TO:
SACRAMENTO ADDRESS
ROOM 5001, STATE CAPITOL
SACRAMENTO 95814
TELEPHONE: (916) 445-8528
COMMITTEE TELEPHONE:
(916) 445-7032

DISTRICT OFFICE
1035 DETROIT AVENUE
SUITE 400
CONCORD 94518
TELEPHONE: (415) 889-1973

Assembly California Legislature

MEMBER:
INTERGOVERNMENTAL RELATIONS
COMMITTEE
WATER COMMITTEE
JOINT LEGISLATIVE AUDIT
COMMITTEE
JOINT LEGISLATIVE BUDGET
COMMITTEE
WILDLIFE CONSERVATION
BOARD
REPRESENTING:
TENTH ASSEMBLY DISTRICT
CONTRA COSTA COUNTY

DANIEL E. BOATWRIGHT
CHAIRMAN

Committee on Ways and Means

January 27, 1978

Hon. David A. Head, Chairman
Kern County Board of Supervisors
1415 Truxtun Avenue
Bakersfield, California 93301

Dear Mr. Head:

As you know, the Jarvis-Gann property tax initiative has qualified for the June 1978 statewide ballot. If it passes, the following provisions would take effect on July 1, 1978:

- . Limit ad valorem property taxes to 1 percent (1%) of the full cash value of the property;
- . Require counties to levy the 1 percent (1%) tax and "apportion it according to law to the districts within the counties";
- . Establish as a basis for "full cash value" the county assessor's appraised value as of March 1, 1975, (property subsequently sold or improved would be reappraised);
- . Limit increases in fair market value to 2 percent (2%) per annum;
- . Require an affirmative vote of two-thirds (2/3) of the "qualified electors" of any respective taxing entity to increase special taxes (other than property taxes); and
- . Prohibit the Legislature from raising or increasing any other taxes to make up for any loss unless two-thirds (2/3) of each house approves.

As chairmen of the respective fiscal committees of the State Legislature, we are writing local governments throughout California urging them to join with us in carefully analyzing the fiscal and budgetary impact this initiative will have at the local level if it passes on June 6.

Accordingly, it is imperative that you make contingency plans now--if you have not already--including the preparation of alternate 1978-79 budgets. This information will be helpful to you, the public and the Legislature and will serve to publicize the effect Jarvis-Gann will have on services provided by local government. Since time is of the essence, we urge you to begin preparation now.

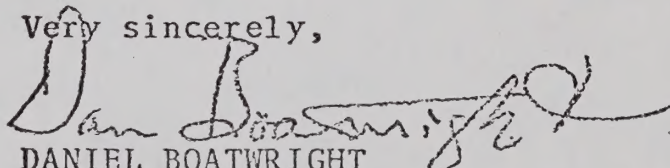
In order that we can assess the statewide impact as quickly as possible, it would be most helpful if you could provide us with a summary analysis by March 1, 1978, highlighting the local impact, including anticipated budget cuts, should the electorate pass this proposition. Please send a copy of your analysis to the fiscal committees of both houses at the following addresses:

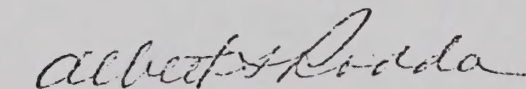
Assembly Committee on Ways and Means
State Capitol, Room 3091
Sacramento, California 95814

Senate Committee on Finance
State Capitol, Room 5052
Sacramento, California 95814

Thank you for your cooperation in this important and urgent effort.

Very sincerely,


DANIEL BOATWRIGHT
Chairman, Assembly Ways and
Means Committee


ALBERT RODDA
Chairman, Senate Finance
Committee

DB/AR:bb



C123304569